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FROM: MOSCOW

TO: Secretary of State

NO: 1669, JANUARY 28, 1956

SENT DEPARTMENT 1669, REPEATED INFORMATION PARIS 244, LONDON 201

SWEDISH AMBASSADOR HAD TALK WITH KHRUSHCHEV AT FINNISH RECEPTION (EMBTel 1649) TO WHICH FOLLOWING POINTS OF INTEREST DEVELOPED:

1. WHILE KHRUSHCHEV WOULD NOT OPENLY ADMIT IT, HE CONFIRMED BY IMPLICATION IN RESPONSE TO AMBASSADOR'S QUESTION THAT THERE HAD BEEN A SHIFT IN SOVIET ECONOMIC POLICY LAST YEAR IN CONNECTION WITH CONSUMERS GOODS, ALTHOUGH HE SAID SHIFT HAD BEEN EXAGGERATED IN FOREIGN PRESS. HE LEFT IMPRESSION WITH AMBASSADOR THAT EMPHASIS ON CONSUMERS GOODS UNDER PREVIOUS GOVERNMENT HAD BEEN PREMATURE AND WENT TOO FAR FOR GENERAL PURPOSES SOVIET ECONOMY.
2. HE PROFESSED THAT SIXTH FIVE YEAR PLAN, HOWEVER, WAS MORE FAVORABLE THAN PREVIOUS IN CONSUMERS GOODS PRODUCTION WHILE EMPHASIZING PRIORITY OF CATEGORY (A), AS HE CALLED IT, MARXIAN TERM FOR INSTRUMENTS OF PRODUCTION. HE TOLD AMBASSADOR THAT SUCCEEDING FIVE YEAR PLANS WOULD INCREASE RELATIVE WEIGHT CATEGORY (B) PRODUCTION, I.E. CONSUMER GOODS, AND THAT PROBABLE SECOND OR THIRD FIVE YEAR PLANS FROM NOW WOULD SEE RATE OF INCREASE OF (B) EQUAL OR EVEN SURPASS THAT OF CATEGORY (A).
3. KHRUSHCHEV SAID THAT EMPHASIS ON TECHNOLOGICAL PROGRESS AND PRODUCTIVITY OF LABOR WAS IN PART DUE TO DESIRE TO HALT FLOW OF LABOR FROM COUNTRYSIDE TO INDUSTRY. HE SAID ALTERNATIVE OF CONTINUING PRESENT RATE INCREASE PLANT CAPACITY WOULD HAVE NECESSITATED INCREASE INDUSTRIAL LABOR FORCE WITH RESULTANT DRAIN FROM AGRICULTURE.
4. ON AGRICULTURE, KHRUSHCHEV EXPRESSED CONFIDENCE THAT TARGET GOALS WOULD BE MET AND STATED FLATLY THAT MILK TARGETS

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-2- 1669, JANUARY 28, 9 PM, FROM MOSCOW

FOR 1960 WOULD PROBABLY BE MET WITHIN TWO YEARS AND PROBABLY SAME FOR MEAT. WHEN AMBASSADOR QUERIED THESE STATEMENTS, PARTICULARLY CONCERNING PROSPECTS MEAT DELIVERIES, KHRUSHCHEV WAS EMPHATIC IN SAYING WITH ABSOLUTE CERTAINTY MEAT SUPPLY WOULD LARGELY INCREASE NEXT YEAR AND THAT PLAN GOALS WOULD BE MET WELL IN ADVANCE OF FIVE YEAR PERIOD. ON GRAIN, HE EXPRESSED CONFIDENCE BUT MADE NO SUCH SPECIFIC STATEMENTS.

5. ON OTHER SUBJECT KHRUSHCHEV STATED IN REPLY TO AMBASSADOR'S OBSERVATION, THAT WAR DANGER HAD INDEED RECEDED AND THAT ALTHOUGH RECENTLY SOVIET GOVERNMENT HAD INFORMATION THAT ISRAEL MIGHT START PREVENTIVE WAR, ACCORDING TO LATEST REPORTS THIS HAD BEEN ABANDONED AND THAT ACCORDING TO PRESENT SOVIET ESTIMATE THERE WAS NO SITUATION IN WORLD WHICH SEEMED LIKELY TO PRODUCE ARMED HOSTILITY EVEN ON LOCAL BASIS.

COMMENT: WHILE THERE MAY BE SOME REDUCTION DISPROPORTION BETWEEN HEAVY AND LIGHT INDUSTRY IN SIXTH FIVE YEAR PLAN AS COMPARED TO FIFTH, DIFFERENCE IS NOT SIGNIFICANT ENOUGH TO SUPPORT KHRUSHCHEV'S STATEMENT. HOWEVER, FACT THAT HE CHOSE TO EMPHASIZE THIS POINT TO SWEDISH AMBASSADOR IS OF SOME INTEREST. INCIDENTALLY, I GATHER THAT SABUROV AT INDIAN RECEPTION MADE SOMEWHAT SIMILAR REMARKS TO PRESS. OF MORE IMPORTANCE, HOWEVER, IS PREDICTION THAT SOME FUTURE FIVE YEAR PLAN WOULD SHOW SUPERIORITY GROWTH PRODUCTION OF LIGHT OVER HEAVY INDUSTRY, SINCE ATTACKS ON ECONOMISTS IN PAST YEAR HAVE EMPHASIZED THAT DEVELOPMENT OF THIS NATURE EVEN IN FUTURE IS FUNDAMENTALLY ANTI-MARXIAN AND INIMICAL TO SOVIET INDUSTRIAL DEVELOPMENT.

I BELIEVE COMMENT ON ISRAELI/ARAB SITUATION IS PARTICULARLY INTERESTING, AND FURTHER CONFIRMATION MY IMPRESSION RECEIVED FROM MOLOTOV'S ATTITUDE IN GENEVA AND SUBSEQUENT SOVIET ACTIONS AND STATEMENTS THAT THEY ARE BY NO MEANS FULLY AWARE OF REAL WAR DANGER IN THAT AREA. IN GENERAL, KHRUSHCHEV'S STATEMENT REGARDING ABSENCE OF EVEN LOCAL WAR DANGER (ONE WONDERS IF FORMOSA WAS INCLUDED) REFLECTS ONE OF CAUSES OF PRESENT SOVIET SELF-CONFIDENCE.

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